

110TH CONGRESS
1ST SESSION

S. 1910

To amend the Internal Revenue Code of 1986 to provide that amounts derived from Federal grants and State matching funds in connection with revolving funds established in accordance with the Federal Water Pollution Control Act and the Safe Drinking Water Act will not be treated as proceeds or replacement proceeds for purposes of section 148 of such Code.

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2007

Mr. REED (for himself, Ms. SNOWE, Mr. KERRY, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide that amounts derived from Federal grants and State matching funds in connection with revolving funds established in accordance with the Federal Water Pollution Control Act and the Safe Drinking Water Act will not be treated as proceeds or replacement proceeds for purposes of section 148 of such Code.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. TREATMENT OF FEDERAL GRANTS AND STATE**
 2 **MATCHING FUNDS IN CONNECTION WITH RE-**
 3 **VOLVING FUNDS ESTABLISHED IN ACCORD-**
 4 **ANCE WITH FEDERAL WATER POLLUTION**
 5 **CONTROL ACT AND SAFE DRINKING WATER**
 6 **ACT.**

7 (a) IN GENERAL.—Section 148(a) of the Internal
 8 Revenue Code of 1986 (defining arbitrage bond) is amend-
 9 ed by adding at the end the following new sentence: “For
 10 purposes of determining whether a bond is an ‘arbitrage
 11 bond’ under this section, any amount derived from an in-
 12 vestment of any Federal grant or related State match
 13 made in connection with any revolving fund established
 14 in accordance with title VI of the Federal Water Pollution
 15 Control Act or section 1452 of the Safe Drinking Water
 16 Act (or subsequent reauthorizations of such Acts) shall
 17 not be taken into account.”.

18 (b) EFFECTIVE DATE.—The amendment made by
 19 this section shall apply to obligations issued or out-
 20 standing after the date of the enactment of this Act, but
 21 only with respect to amounts earned on outstanding obli-
 22 gations after such date of enactment.

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